

CURA PROJECT
May 10, 1999

Why We Should Invest Money In Child Care?

Prepared by
Renata Polaskova

for

Alliance of Early Childhood Professionals

CURA RESOURCE COLLECTION

**Center for Urban and Regional Affairs
University of Minnesota
330 Humphrey Center**

I. Introduction and Motivation

Every day, about 230,100 children younger than six are placed in child care in Minnesota. This means that three out of five young children and half of all children younger than three spend some or all of their day being cared for by someone other than their parents. This data illustrates why it is important to deal with the child care industry.

There are problems and challenges in the child care industry in Minnesota. In particular, families with low income jobs have difficulties to pay for child care. Then they are forced to use poor quality child care, what have further impacts on child development in the future. How to improve affordability of child care in Minnesota, the study will focus on following five questions:

- What is the role of child care in the development of a child?
- What are the main indicators of good quality of child care?
- How child care is affordable for families in Minnesota?
- What are the factors that help families to get out of poverty?
- What are the government funds invested in early childhood development?

The main purpose of this study is to provide an overview of the child care system of Minnesota and give updated information about the system. The report describes the main indicators of good quality child care, and why society should pay more attention, and invest more financial resources on child care in order to improve and sustain quality of children's lives. The report also outlines, how our society can contribute from subsidized child care and how child care is not only important for child development but also improves economic development of the state. The intent of the report is to increase awareness of childhood development and to advocate for affordable, good quality child care.

II. The role of child care in child development

The growth and development of children are determined in a large part by four social systems, which are inter-connected and operating in a synergistic way. The *family and child care* play a crucial role and significantly influence the development of children. They have long-lasting consequences on the future educational progress of children. Two of the other systems are *health care* and *schooling*. All four of them together determine and effect child future development. [1]

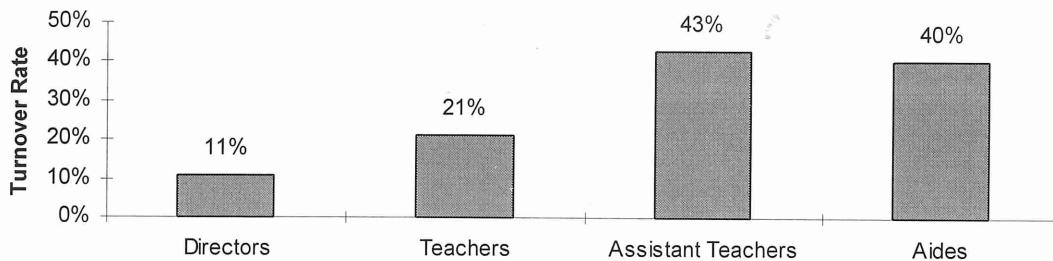
For example, parents who are forced to use unreliable, poor-quality child care often experience stress and guilt, which in turn reduces the quality of family life. Furthermore, children who must spend long hours in poor quality child care during their preschool years may be ill prepared to begin and succeed in school.

The National Child Care Survey of infants and toddlers placed in child care centers by employed mothers indicates that 76% spent at least 35 hours a week in child care; for infants and toddlers in family day care the figure was 69%. Of the nearly 80% of 3- and 4-year-olds who were in some type of out-of-home care, 55% spent 35 hours a week or more in child care. Child care is not only a service essential to the well being of children but it also permits parents to work and improve the living standard, what contribute to the stability of family.

III. What Is Good Quality Child Care?

Child care quality is linked to child outcomes. There are several indicators that influence good quality of child care. The most important are: 1) caregiver behavior, 2) caregiver training, 3) a developmentally appropriate curriculum, 4) reasonable group size, 5) adequacy of physical environment, 6) low turnover rates, and 7) motivation of staff through wages. [2] This part of the paper will explore the turnover of staff in child care staff and their wages based on the results of the survey of Alliance of Early Childhood Professionals conducted in 1997.

Graph 1. Turnover Rates in Child Care Programs



As can be seen from graph 1., turnover is highest among assistant teachers, followed by aids. Annual turnover rates for all positions in child care programs, except director, are higher than the 13.2 percent annual average turnover rate of all workers in the north central region of the United States.¹

Wages

Family child care homes are run as private, for profit small businesses. Family child care provider median net income in 1997 was \$8,743 with ten percent of respondents reporting net losses. Total median business expenses, including business expenses for use of the home, were \$13,095. Controlling for inflation², average net family child care provider income increased by \$1,255.40 between 1995 and 1998. Table 1. shows median wages of child care center staff. [3]

¹ Bureau of National Affairs, Inc. "BNA's Quarterly Report on Job Absence and Turnover." Bulletin to Management (vol. 49, No. 10-Part II) March 12, 1998.

² The United States Consumer Price Index for All Urban Consumers (CPI-U) is used in this report to adjust for inflation.

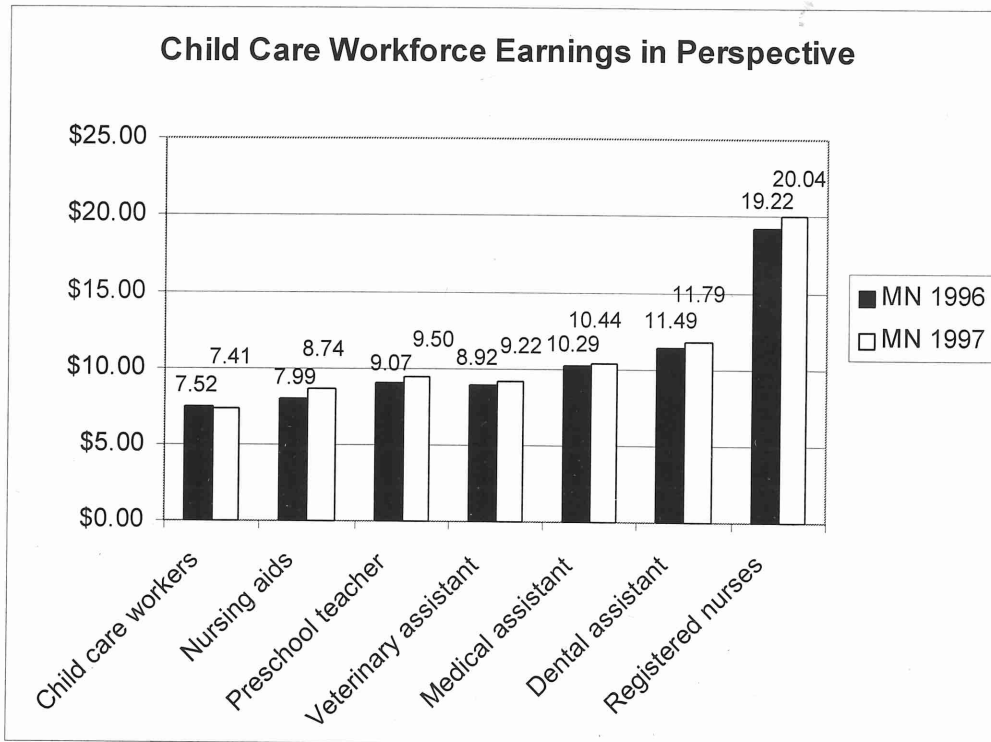
Table 1. Median wages: Child Care Center Staff

	Director	Teacher	Assistant Teacher	Aide
Center Survey	\$12.09	\$9.61	\$7.75	\$6.25
Staff Survey	\$12.74	\$9.02	\$7.00	\$6.10

Data Source: Minnesota Early Childhood Workforce Study

Graph 2. provides a comparison of median hourly wages between child care professionals in Minnesota and other occupations in years 1996 and 1997. As seen from graph, child care industry belongs among those professions which has low median income in comparison with other occupations, such as: medical assistant, dental assistant and registered nurses.

Graph 2.



Data Source: Minnesota Department of Economic Security

Why We Want and Need Good Quality of Child Care for Our Children?

A recent Carnegie Corporation study confirmed that the quality of child care have a profound and lifelong impact, not only on their development, but on their well-being and chances for school success. While research shows that good quality child care can help children's development in a range of areas (including language, social skills, relationship with teachers, and self-perception), it also shows that children in poor quality child care are postponed in language and reading skills, and display more aggression toward other children and adults.[4]

Consequences of Child Care for Children's Development- Studies on Brain Research

Recent research on brain growth and development during infancy indicates that by the time they are 18 months old, children raised in poor environments may already exhibit cognitive deficits of sufficient magnitude that they cannot be fully reversed.

Moreover, researchers are discovering that a child's social environment may activate hormones that negatively and permanently affect brain functions like learning and memory (Mc Ewen, 1992). These findings provide objective support for the long-held belief that children who experience severe stress in their early life are at risk for developing a whole range of cognitive, emotional, and behavioral problems. [5] The chances for developmental damage increase as a function of the number and magnitude of environmental assaults; the best predictor of later pathology is the cumulative frequency of life events coupled with an insecure attachment in infancy. (Gamble&Zigler, 1986). The implications for child care are clear: given that the use of supplemental child care the first year of a child's life is a mandate for many families and not an option, child care must be of the best quality possible.

Cost of Child Care in the United States

Although social changes have brought a vastly greater need for supplementary care among families, the worsening economic plight of many of these families has made it increasingly difficult to afford child care. Annual rates for the care of preschool children range on

average from about \$2,500 to almost \$4,000 a year; high quality infant care can cost upwards of \$6,000 (sometimes closer to \$10,000) a year in some cities. [6]

Basic Facts about Child Care in Minnesota

Child care is a fast growing industry. In Minnesota, employment in child day care services has grown 47 percent since 1998, compared to 22.5 percent in all industries. Strong employment growth in child care is the result of several factors. The population of children age five and younger has grown about one to three percent annually since 1972.[7] More importantly, female labor force participation, particularly among women with young children, has been steadily increasing for many years.

The percent of Minnesota women in the labor force with children under age 6 is 71 percent and with children between 6 and 17 is 82 percent. This means about 650,000 children in Minnesota are of child care age (12 and under) and have working mothers.

Difficulties with payment for child care

Families in Minnesota are struggling to find good quality child care they can afford. Many of them earn too little to be able to afford the quality child care their children need. There are about 279,450 children younger than 13 who live in low-income families (with income below 200 percent of poverty, or about \$27,000 for a family of three). According to the study conducted by the Alliance of Early Childhood Professionals in Minnesota, child care for a four-year-old in a child care center cost an average of \$7,155 in 1997.

According to US 1990 Census data, 37% of families in Minnesota with two children had an income of \$29,820 or less.

Child Care is not only child development but also important tool for economic development

The study of Ramsey County from 1996 shows that child care subsidies play a legitimate role in economic development. More than 1,200 jobs are supported by the Child Care Sliding Fee Fund. According to the results of the survey the Child Care Sliding Fee Program in Ramsey County supports industries such as: service industry (44 percent), trade (17 percent), manufacturing (14 percent), finance (12 percent) and government (7 percent).[8] Service industry includes jobs in the health services, social services, business services, educational services, personal services, legal services, lodging services, etc.

Interestingly, the study also explores occupational trends and state jobs in the next five years. The result is that paraprofessional/professional and technical jobs are projected to be the most new jobs in the labor market. Therefore community leaders and policy makers at the state level should consider economic development, job creation and determine what support of child care subsidy is necessary in terms to support family self-sufficiency and to reduce poverty.

IV. What are the factors that help families to get out of poverty ?

The study of Greater Minneapolis Day Care Association (GMDCA) shows that investing in the Child Care Sliding Fee Program helps ensure future returns. Child Care Sliding Fee Program is a combination of federal, state and county funds. It basically serves for four population group: a) teenage parents, b) families who left AFDC and finished one year of guaranteed child care assistance, c) working families who have not been on assistance, d) working poor families who are pursuing additional training or education. For example, once families receive funding through the Child Care Sliding Fee Program, they continue to improve their economic standing as they move from part-time to full-time work or pursue training to qualify for higher-paying jobs. As a result, average gross annual income increases from \$15,400 for families on the waiting list to \$19,500 for families receiving child care assistance. According to GMDCA, the average monthly cost to taxpayers for supporting a family on AFDC is 854, on food stamps and medical assistance is \$405 and on child care sliding fee is \$259. [9] Affordable child care is one of the factors that enables families to find and retain employment and wean themselves off state assistance. We can see from the data

that sliding fee child care is one of the least expensive services that can be provided to families that are trying to get out of poverty.

Subsidized child care enables both members of a family to work and thereby increase income and provide better for their family. It would also allow them to seek out training and other opportunities to develop their potential thereby moving them out of minimum wage jobs and into better paying and stable environments. This would contribute not only to the economy, but also to the quality of life of society. Children raised in situations where there is tension and violence resulting from poverty are also those who do not have access to quality child care. This is detrimental to their well being and can result in greater societal loss in the future. Families that are able to improve their earning capacity will be able to afford quality child care and also provide greater security and opportunities to their children which would be a contribution to society.

V. What are the government funds invested in early childhood development ?

Strong economic growth has resulted in budget surplus within Minnesota. Therefore, with the prospect of surplus funds, federal, state and local governments are considering new investments in children, particularly during early childhood. During the fiscal year 1998-99 the government in Minnesota budgeted \$377,338,000 from the General Fund for Family and Early Childhood Education. This is significantly less than the \$925,558,000 budgeted for criminal justice expenditures. Investment in child care has diverse and long lasting effects on the welfare of children, family and society. Subsidized child care has had a more beneficial effect on the ability of people on AFDC to return to work and costs taxpayers the least. Moreover, as we discussed before child care is tool that has crucial impact on economic development and helps to improve self-sufficiency of low-income families through their access to workforce.

VI. Conclusion

The report outlined the issues related to the good quality and affordable child care, and the main factors that impact welfare of children in child care. This includes the effects of the quality of child care on the early development of children, the factors that contribute to child care staff low turnover and the effect that affordable good quality child care has on the ability of a families on low income jobs to retain jobs.

The crux of the problems described in this report is affordable good quality child care especially for low-income families whose choices are limited by their earning capacity.

These problems necessitate increased state investments and higher involvement from other sectors. This includes programs that make subsidize child care widely available which would enable people to either got to work or procure skills necessary to obtain jobs, creation of jobs that pay a living wage that will contribute to the security and stability of families. This will enable families to pay for better child care services, which in turn will result in higher wages for child care staff and less turnover. This would effect better quality of child care and further successful development of the children.

REFERENCES:

- [1] *Children, Families and Government Preparing for the Twenty-first Century*. Zigler, Edward, Kagan Sharon, Hall Nancy. Cambridge University Press.1996 p.96.
- [2] *ibid.* p.100
- [3] *Minnesota Early Childhood Workforce Study, 1998*. The Alliance of Early Childhood Professionals.
- [4] *Carnegie Corporation Study, 1996*.
- [5] *Children, Families and Government Preparing for the Twenty-first Century*. Zigler, Edward, Kagan Sharon, Hall Nancy. Cambridge University Press.1996 p.101.
- [6] *Children's Defence Fund Study, 1996*.
- [7]] *Minnesota Early Childhood Workforce Study, 1998*. The Alliance of Early Childhood Professionals.
- [8] *The Other Side of Child Care*. Ramsey County Study, 1996
- [9] *Greater Minneapolis Day Care Association Study, 1997*